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**ILLINOIS COMMERCE COMMISSION**

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February 5, 2008

Via CERTIFIED U.S. MAIL

Terry J. Rakocy  
President  
Aqua Illinois, Inc.  
1000 S. Schuyler Ave.  
Kankakee, IL. 60901

Re: Docket No. 08-0067, Aqua Illinois, Inc. Filing on January 2, 2008 for Proposed  
General Increase in Rates for Water Service for Vermilion

ILLINOIS  
COMMERCE  
COMMISSION  
2008 FEB - 5, AM 11:33  
CHIEF CLERK'S OFFICE

Dear Mr. Rakocy:

A preliminary review of the petition for a general rate increase filed by Aqua Illinois, Inc. ("Company") on January 2, 2008 has been completed. Aqua Illinois, Inc. is deficient with respect to 83 Ill. Adm. Code 285 and must provide the following information according to the referenced Part 285 requirement.

Pursuant to 83 Ill. Adm. Code 285, the Company shall provide a verified response to this letter with the information and clarifications described below.

The verified response shall be filed with the Office of the Chief Clerk of the Commission within 28 days from receipt of this letter. Six copies shall also be provided by that date; with one sent to me in Chicago, and one each to Ms. Joy Nicdao-Cuyugan, Ms. Mary Selvaggio, Ms. Bonnie Pierce, Mr. Gene Beyer, and Mr. Steve Hickey, all members of the Staff of the Commission in Springfield.

285.305: General Information Requirements Applicable for All Utilities

1. The information listed in this Section is required of all utilities:

Each monthly managerial report providing financial results of operations for each of the past 12 months and each of the eight subsequent months as it becomes available.

Aqua provided monthly managerial reports for the months November 2006 through October 2007. According to the requirements stated above, Aqua must provide monthly managerial reports for the months of November and December 2007, along with subsequent months as they become available.

285.325: General Information Requirements Applicable for Water and/or Sewer Utilities

2. The information listed in this Section is required of water and sewer utilities:

Peak day and peak hour (if available) water flows for the last three years.

Aqua did not include the information required by 285.325 with its filing.

285.3170 Schedule C-17: Insurance Expense

3. The information provided shall include claims detail, according to item (b)(6).

The Schedule C-17 provided by Aqua refers to WPC-17 for claims detail; however, WPC-17 reflects claims detail for years 2005 and 2006, although Schedule C-17 indicates that claims detail is provided for 2007 on WPC-17, page 2. Accordingly, the company should provide the detail of claims for 2007 on WPC-17.

285.4020 Schedule D-2: Cost of Short-term Debt

4. 285.4020 (e) (2) requires the utility to provide portions of documents describing the manner by which interest rates on variable and adjustable rate debt issues are set (e.g., loan agreements).

While Aqua states that the "National City interest rate is 65 basis points over LIBOR - (30 - 360 days)" (see Schedule D-2, Footnote 1), it did not demonstrate as much. Aqua needs to provide current documentation establishing how the interest rate it pays for short-term debt is set.

5. 285.4020 (e) (3) requires the utility to provide documents supporting all interest rates.

Aqua provided no documentation related to its lines of credit with CoBank, National City, or Mellon Bank listed on Schedule D-2 (Aqua is not projecting any borrowings under the Mellon Bank or CoBank lines of credit in the test year). Aqua needs to provide current documentation supporting all interest rates.

6. 285.4020, Schedule D-2 (e) (5) requires the utility to provide the formula and rates of return the company uses to calculate Allowance for Funds Used During Construction ("AFUDC") rates.

Aqua provided the formula on page 1 of its D-2 Schedule, but not the rates of return. Aqua must provide the rates of return used to calculate AFUDC rates.

285.4060 Schedule D-6: Cost of Common Equity Work Papers

7. 285.4060 requires a copy of all work papers and source documents used to estimate the utility's requested rate of return on common equity.

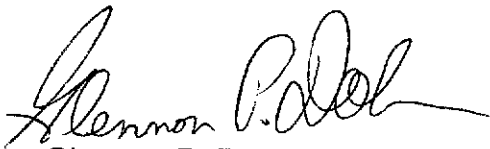
Aqua's D-6 Schedule refers to Aqua Exhibit 3.0, which includes only pre-filed testimony and associated schedules. Aqua must provide all source documents and work papers (to the extent the schedules provided in Aqua Exhibit 3.0 do not represent all work papers).

285.7070 Schedule G-13: Comparison of Actual Financial Results to the Originally Approved Forecast for Each of the Past Twelve Months and Eight Subsequent Months

8. This section requires Aqua to provide a comparison of each month's actual financial results to each month's forecast within the utility's originally approved annual forecast for each of the past 12 months at the time of filing and each of the eight subsequent months as available.

The Schedule G-13 provided by Aqua reflects monthly comparisons for the months January 2006 through August 2007 for the Company and for Vermilion, respectively. According to the requirements above, Aqua must also provide comparisons for the months September 2007 through December 2007, along with subsequent months as they become available.

Sincerely,



Glennon P. Dolan  
Administrative Law Judge  
Illinois Commerce Commission

CC: Elizabeth Rolando, ICC Chief Clerk  
Tim Anderson, ICC Executive Director  
Gene Beyer, Bureau Chief – ICC Bureau of Public Utilities  
Joy Nicdao-Cuyugan, Director – ICC Financial Analysis Division  
Mary Selvaggio, Manager – ICC Accounting Department  
Bonnie Pierce--, ICC Staff Case Manager  
Steve Hickey, ICC Administrative Law Judges Division  
Mike Wallace, ICC Chief Administrative Law Judge  
John E. Rooney Sonnenschein Nath & Rosenthal LLP  
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Stefaine R. Glover Sonnenschein Nath & Rosenthal LLP